



Director of
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USSR - MIDDLE EAST: Andropov Meets Arab Delegation

The description by TASS of General Secretary Andropov's exchanges yesterday with the Arab League's Fez delegation suggests the meeting fell short of Moscow's expectations.

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Premier Tikhonov and Foreign Minister Gromyko participated in the "businesslike and friendly" meeting with King Hussein and Arab Foreign Ministers. Andropov, who took the lead on the Soviet side, stated that Soviet-Arab relations are good but can become better.

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According to TASS, "it was noted" the Arab and Soviet peace proposals coincide, creating an opportunity for extensive coordinated actions. The two sides called for further cooperation on an Arab-Israeli settlement and agreed to keep in touch.

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The Soviets, but not the Arabs, castigated the US peace initiative. The Arabs failed to endorse the Soviet proposal for an international conference on the Arab-Israeli question.

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Andropov held a separate meeting on Thursday with King Hussein. A Kuwaiti news service reports a meeting between Gromyko and the Saudi Foreign Minister, but neither the Soviets nor Saudis have mentioned it.

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Comment: The high-level attention the Soviets accorded the delegation attests to the importance they attach to improve their reputation in the Arab world. The use of the term "businesslike" in the characterization of the meeting, however, and the brief reference to points endorsed by both sides indicate they did not see entirely eye-to-eye.

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TASS's failure to say who "noted" that the Soviet and Fez proposals coincide suggests either the entire Arab delegation or some of its members balked at this language. The Soviets would not have been surprised by the Arabs' refusal to join in the condemnation of the US initiative, but they presumably were disappointed that they did not endorse either the USSR's proposal or its call for an international conference.

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POLAND: Political Uncertainties

The regime is intent on removing some of the trappings of martial law this month, but apparently remains undecided on the timing and on what specific actions to take.

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The Polish Ambassador last week officially informed the British Government that martial law would be lifted on 13 December if the Polish parliament agrees. Yesterday, however, Western press sources stated the move would be made on 23 December.

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Party and government officials have told US Embassy officers and Western reporters the regime may wait until the middle of next year to dissolve the Military Council of National Salvation and, possibly, to create for Premier Jaruzelski a new state presidency with expanded powers.

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Meanwhile, authorities in three provinces have agreed to release more internees. A government spokesman has told Western reporters that a partial amnesty for those who violated martial law restrictions could follow shortly after the end of martial law.

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In addition, special military operations groups have returned to the countryside. In the past, these groups have been used to make assessments of local political, economic, and security conditions.

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Comment: The regime would prefer to dissolve the Military Council as soon as possible to get maximum political mileage out of its actions on ending martial law, but it now may be having second thoughts about moving too quickly. The dispatch of military teams to the countryside also suggests apprehension in Warsaw.

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Jaruzelski probably wants reassurance about the political and economic situations, particularly at the local level, before lifting restrictions. His past actions indicate he will be slow and deliberate in moving toward normalcy.

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EL SALVADOR: Insurgents' Plans

The government's recapture of towns in northern La Union Department has not deterred guerrilla operations in the east

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//The Army claims to have killed 100 guerrillas-- including five foreign commanders--and wounded 150 during the counteroffensive in La Union. The US defense attache reports widely scattered insurgent activities continue, however, and much of the eastern part of the country is again without electric power.//

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Comment: The guerrillas have sustained their military actions for two months despite problems in various units with organization, logistics, and personnel. Although the insurgents generally have attacked isolated towns, public utilities, roads and bridges, and commercial and agricultural facilities, they also have had considerable success against military outposts and convoys. Their claims to have inflicted over 850 government casualties, apparently including 240 prisoners captured along with more than 560 weapons, appear plausible.

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Despite the tactical stalemate, the guerrillas appear to be replacing enough personnel and receiving enough supplies to sustain their current level of operations. They seem committed to a prolonged struggle if they cannot force the government to negotiate.

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LIBYA-CHAD: Qadhafi's Intentions

//Libya has increased military assistance to dissidents who are preparing to attack the forces of President Habre, but it does not seem to be preparing to intervene directly in the near future.//

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Libyan leader Qadhafi demonstrated the importance he attaches to supporting former President Goukouni by his willingness to allow the OAU summit to collapse rather than compromise on the issue of Chadian representation. He presumably is enraged at losing the chairmanship of the OAU and in a mood to vent his frustrations on Chad.

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On the other hand, Qadhafi knows military intervention would end any chance he still may have of being recognized as chairman of the OAU. He also has to fear that an invasion would stimulate additional aid to Habre from France, the US, and some Arab states. He probably is reluctant to tie down substantial forces in the south, given the possibility of a confrontation with the US in the Gulf of Sidra.

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In addition, Qadhafi faces some important domestic constraints. His intervention in Chad in 1980 was unpopular, and he has just put down another military coup attempt. Moreover, Libya has not yet recovered from the economic problems that resulted from the drop in oil earnings last summer.

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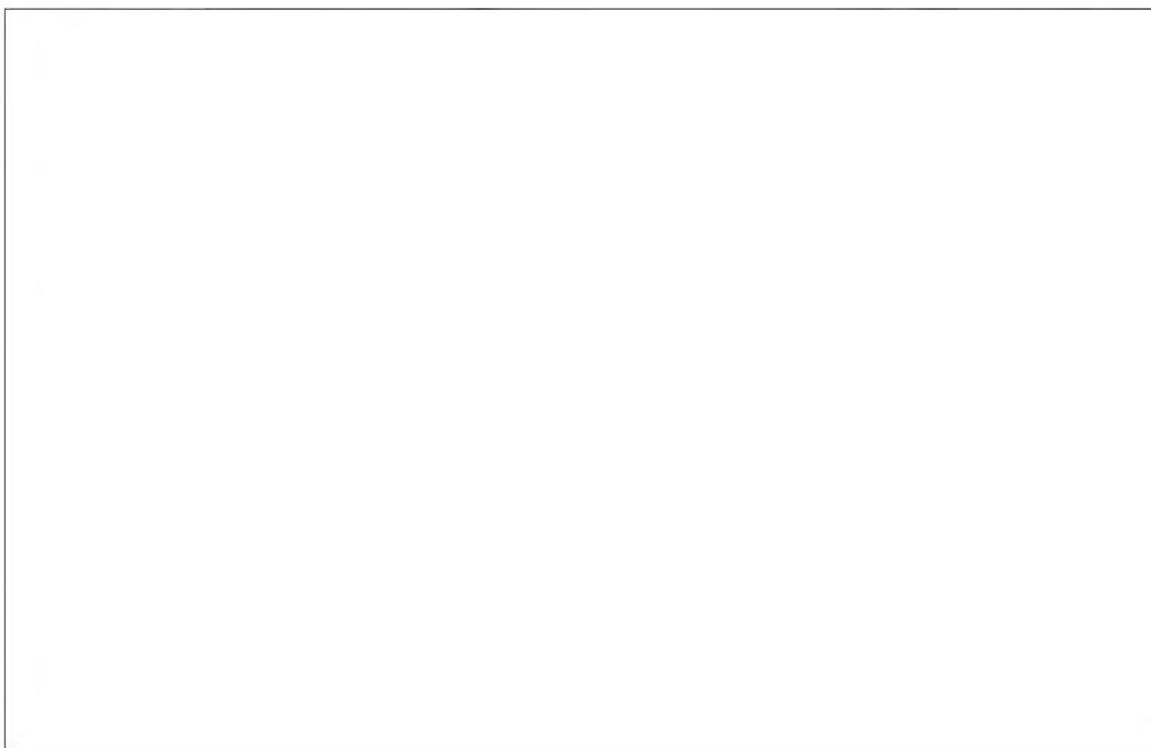
MEXICO: New Austerity Measure

President de la Madrid's doubling of gasoline prices on Thursday will reassure international lenders and the IMF that he intends to carry out promised austerity measures. De la Madrid also announced a price increase of more than 50 percent for domestic natural gas. No changes were announced for heavily subsidized public transportation fares. [redacted]

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Comment: This is the new President's first move to implement the 10-point economic recovery program announced in his inaugural address, and it probably presages further cuts in government subsidies and some tax increases. Moves to ease exchange controls, perhaps by unifying the exchange rates at 70 pesos to the dollar, also are likely. The announced price hikes will largely affect middle class consumers and the private sector. In return for its cooperation, business will now be looking for assurances that de la Madrid will adopt a more positive attitude toward the private sector. [redacted]

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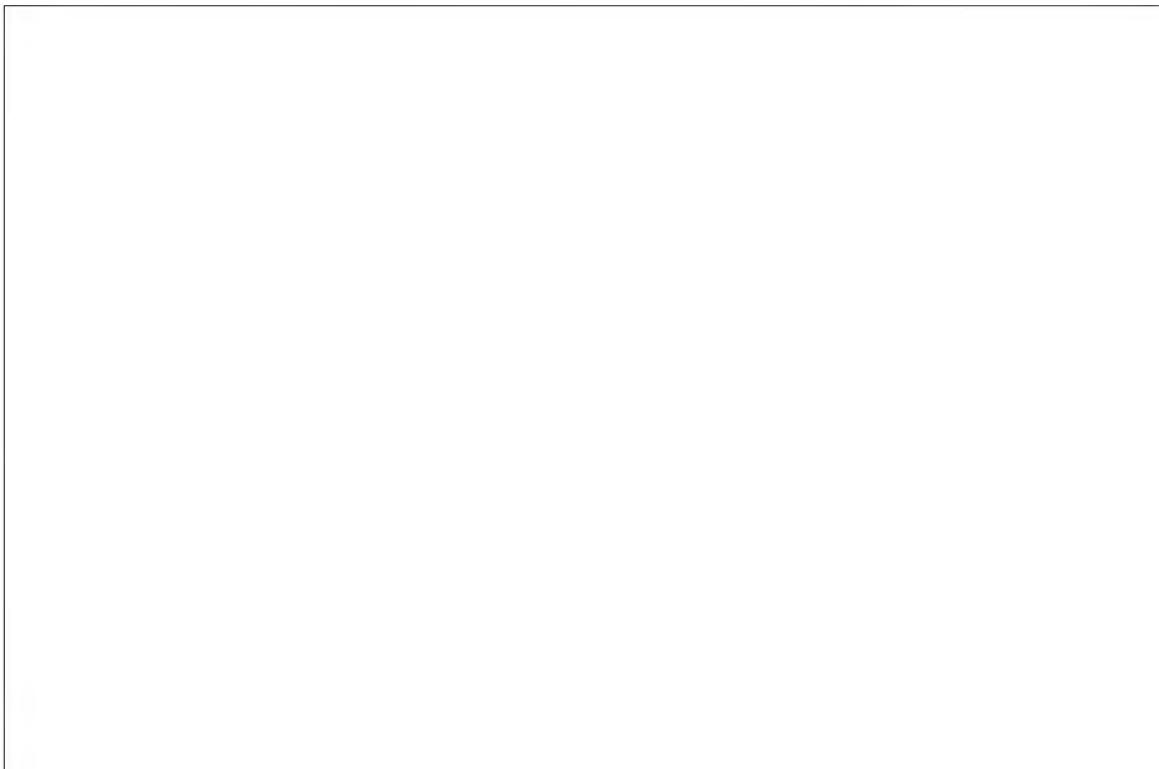
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VENEZUELA: Finance Minister Resigns

Finance Minister Ugueto resigned yesterday over general disagreements with the government's economic policies. [redacted] Ugueto's replacement may be Arturo Sosa Rodriguez, former Finance Minister and a prominent banker. [redacted]

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Comment: The sudden resignation could undermine Venezuela's efforts to refinance its substantial short-term debt. Ugueto's departure will heighten the uncertainty among bankers over President Herrera's economic strategy. His decision may be tied to his unhappiness with Central Bank President Diaz Bruzual's increasing dominance in the government on economic policy decisions. Ugueto objected to Diaz Bruzual's endorsement of the transfer in late September of oil company reserves to Central Bank control. [redacted]

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Special Analysis

INTERNATIONAL: Signing the Law of the Sea Treaty

Nearly all developing nations, a majority of the Western industrialized nations, and the USSR and East European countries will sign the Law of the Sea Treaty at a weeklong conference in Jamaica that begins on Monday. Concern about the treaty's provisions for international regulation of seabed mining and US lobbying have led the UK, West Germany, Italy, and Belgium to delay signature. For other reasons, Venezuela, Turkey, Peru, and Argentina also will not sign next week. Without the participation of the US and other important maritime nations, the treaty may have little practical value.

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The 50 convention signatures needed to enable the preparatory commission to begin organizing the seabed authority--the body that will manage seabed mining--almost certainly will be obtained. The treaty will go into effect after 60 signatories have ratified it.

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Controversial Seabed Mining Provisions

Developing nations, after 10 years of negotiation, have succeeded in having the mineral resources of the seabed beyond coastal state jurisdiction designated the "common heritage of mankind" and exploitable only under international regulation. Industrial states that are able to mine the seabed are concerned about provisions for mandatory transfer of mining technology to the seabed authority and to developing states and for limitations on production to protect prices in world metal markets. In addition, the US, West Germany, and Belgium believe the decisionmaking process for the International Seabed Authority is weighted in favor of developing states.

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Most industrial states are reluctant to join the US in forming a seabed mining agreement outside the treaty. They do not want to damage their relations with the Third World, and some believe the treaty is acceptable.

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The financial provisions, however, will be expensive for developed nations party to the treaty. Many will hold off ratification to see if enough industrialized states adhere to and keep financial obligations within limits. [Redacted]

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Freedom of Navigation

The treaty's favorable navigation rules are attractive to many industrialized, maritime states. The document codifies a single set of rules for passage through territorial seas and international straits viewed as essential for the mobility of warships and other shipping in the hundred or so straits where states assert territorial jurisdiction. [Redacted]

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//States with vulnerable overseas interests, including the UK and Australia, are concerned about discrimination in transiting straits if they do not sign the treaty. Most Western nations are skeptical of the US argument that these rights have become international law through longstanding practice and will not be affected if a nation refuses to ratify the treaty.// [Redacted]

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Venezuela and Turkey, on the other hand, will not sign the treaty because its maritime boundary provisions complicate their positions in territorial disputes. Argentina will not sign the treaty because it can be read as strengthening the UK's claim to the Falklands. Israel is not likely to sign a treaty that recognizes the PLO, even as an observer. [Redacted]

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After the Signing

The USSR will continue its worldwide diplomatic effort to arouse criticism of the US decision not to sign and support for its argument that those who do not

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sign should not benefit from its provisions. The Soviets can live with the new seabed mining rules because they have little need for seabed minerals in the foreseeable future. [redacted]

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//Most treaty signatories may try through the preparatory commission meetings to create rules and regulations that are attractive to holdout nations. Most states believe a treaty that does not include the US will not provide the full benefits originally envisioned.// [redacted]

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//Serious mining efforts are unlikely to begin before the early 1990s. When mining begins, companies in nations not party to the treaty may operate under flags of nations that have ratified the treaty in order to benefit from its provisions.// [redacted]

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